



**For Immediate Release**

**February 7, 2008**

**Senator Judd Gregg's Floor Remarks on  
the Outlook for the Economic Stimulus Package  
(unofficial transcript)**

I rise briefly to express my concerns about the process as it presently stands in the Senate. I'm tempted to say, 'wherefore art the stimulus package?' I believe very strongly we need some sort of stimulus to this economy and that the economy is slowing fairly dramatically. But I believe that the present form of the stimulus packages as agreed to in the House and certainly in the Senate Finance Committee package has very distinct flaws.

But that doesn't mean we shouldn't bring the packages up and vote on them.

Last night we voted on the Finance Committee package and it didn't pass. It didn't pass because it added \$44 billion of additional money to an agreement which had already been reached between Speaker Pelosi, Republican Leader Boehner, and the Administration. This was a bipartisan agreement which was reached with the tacit approval of the leadership of the Senate, as I understand it, although I wasn't intimately involved in the negotiation.

My understanding of the way this proceeded is the Senate leadership, Senator Reid and Senator McConnell, basically said to the Administration and the House, see if you can reach an agreement on the stimulus initiative. And the Administration, in good faith, under the leadership of the Secretary of the Treasury, negotiated with Speaker of the House Pelosi and with Congressman Boehner and they reached an agreement and it was an agreement that involved very distinct compromises. Compromises which basically reflected a classic political process where you basically put your ideas on the table, the other sides puts their ideas on the table, and you work to come up with a concept that both sides can be comfortable with if even if they don't accept the details.

This package is a \$150 billion package, the majority of which is a rebate to people who pay taxes of \$600 to \$1,200. And the balance of which is an incentive, especially to small businesses, to go out and invest and, as a result, hopefully create more jobs and a more efficient economy.

When it get to the Senate, for reasons which I still don't understand, the Senate decided that they wanted to assert some prerogative here, even though the Senate leadership had said let the House leadership and the Administration do the bulk of the basic negotiations.

And we got a package out of the Finance Committee which took a \$150 billion package and increased it by \$44 billion. A lot of that package was basically baggage being thrown on a train with absolutely nothing stimulating the economy in the short run, including tax breaks for the wind industry and coal industry. It's just a fact that certain groups had enough influence to put their baggage on this train.

We have to remember that every dollar being spent on the stimulus package is being borrowed from our children. And our children's children. Because we don't have a surplus. We don't have money to rebate. "Rebate" is the wrong term. This is borrowed money, being borrowed from our children, being paid to us. For people who are working today or people who pay taxes today, under the House package and under the Senate package, it's another \$44 billion of money being borrowed from our children and our children's children to be sent out the door for the purposes of different interest groups who have put their points forward.

Well, the Majority Leader says we take the Senate package or we take no package, which makes no sense at all. The House package was bipartisan, had the support of the Speaker of the House -- who no one can consider being a conservative; she comes from San Francisco -- and the Republican Leader of the House, Mr. Boehner, who no one can accuse of being a liberal, from someplace in Ohio, but he has quite a track record. They reached an agreement. It wasn't like it was Republicans saying this is the package or Democrats saying, this is the package. It was an agreement.

So when it came over here, yes, there might have been adjustments to be made to it, but to add \$44 billion and say, take that \$44 billion addition or leave it? That makes no sense in the context of reaching an agreement quickly and moving it out the door. In fact, Senator McConnell had the best idea, saying let's take the House package and add three things that there seem to be consensus on. One, make sure seniors got a rebate so they can participate in the stimulus initiative. Two, make sure the disabled veterans got a rebate to participate. And, three, let's correct the technical relative to illegal immigrants. So, Senator McConnell said, let's do those three things. Let's add it to the House package that the House has agreed to approve and it will be done quickly and the President will sign it.

We know with a stimulus of this nature, which is pure Keynesian economics, you take money and throw it at the economy without any sort of discretion on how the money will be used in order to produce long-term productive forces. It's saying to consumers, here's some money, go out and spend it and hopefully that stimulates the economy. We know under classic Keynesian approaches, which is what this stimulus package is, the essence of that is to get it out the door and get the dollars into the consumers' hands quickly. Every week of delay only aggravates the relative effectiveness of the stimulus exercise.

We also know that because of the way our Internal Revenue Service is structured, that the earliest they'll be able to get the rebates out the door, if we were to act today, this week, would probably be May. The middle of May. It's even more likely that they will get out in June. According to the economists who testify around here and give us their counsel,

including the head of the CBO, he said the impact of those dollars going out the door, those \$600 or \$1,200 rebates, will not be felt until the late third quarter of this year. That's the fast track.

Who knows what the late third quarter of this year will bring? I hope it will bring some turnaround in the economy. Certainly with monetary policy being changed in this country, where you see significant reductions in the interest rates by the Fed, it's very likely we will see some uptick in the economy in the third and fourth quarter of this year. I certainly hope that will occur, that the housing issue which created this problem, as a result of having a housing bubble, will have begun to work its way through.

But in any event, we know to delay this further, so we push these stimulus events such as giving people \$600 to go out and spend, further and further into the year, potentially into the Christmas season or into next year, is not going to address the underlying problem which is the next two or three quarters which look like they will be extremely soft relative to economic activity.

So actions should be taken now. And what has been suggested here to accomplish action, which is a very reasonable suggestion, is to take the House package, which was negotiated between the Speaker of the House, the Republican Leader in the House, and Secretary Paulson, and add to it the two or three things which there is consensus on over here -- which is the payment to seniors, payment to veterans, and correcting the illegal immigration language -- and pass it. And then move forward. That's if you accept this concept that we should do this sort of Keynesian stimulus event, that's what we should do.

Now, I must, as a matter of disclosure, say that I have serious reservations about the Senate package being terribly irresponsible because it adds \$44 billion to an agreed to bipartisan agreement. But I also have problems with the underlying package because, for me, I believe we do need to stimulate. But I think we need to focus the dollars on the problem and the problem is the credit lockdown that's occurring generally in the economy, which is specifically being driven by the housing market problems.

We know that in the last few years there has been an expansion of lending in the housing arena that was not supported by underlying collateral or by the ability of people getting the loans to pay the loans under the terms of the loans they agreed to, and they were sub-prime loans. People were attracted into buying a house built on speculation and attracted to an interest rate on the mortgage on that house, an interest rate that was low and with the understanding that in two or three years that rate would jump.

What happened here is we built a lot of housing stock that could not be purchased, or if it was purchased, was purchased at costs which were below its real value of production. And on top of that, we were saying to people who really didn't have the incomes necessary to support the higher interest rate which was going to hit them in two or three years -- the two or three years being now -- take the loan, we will worry about that later. The "later" is today, and it's called "the bubble is bursting."

People are under extreme stress because many people who bought these homes cannot afford the increase in what's known as their ARM. That is their adjustable rate mortgage. And it's severe. In parts of this country it is extremely severe, such as in Florida, Arizona, and California. And what is happening is, you see a classic bubble where the housing market starts to contract, and lending generally starts to contract. What happens is lenders who have the housing loans on their books or who have sold the housing loans and cannot figure out how to get out of their contracts, are now trying to figure out how to get their books in order. And new lending is being chilled.

And as a result, the entire economy starts to lock up because it's very hard to get loans for anything, but especially in the housing area, especially in the distressed areas. And the people who have these loans who live in these homes are finding themselves under the pressure of foreclosure. In many instances these people are hard-working Americans who can pay a reasonable rate on their mortgage, but because the adjustment is not reasonable, it is very high under these ARM agreements, and they are simply not able to meet the obligations under the mortgage. So we should be focusing our efforts on that part of the economy.

Now I congratulate the Secretary of the Treasury because he's tried to do that, both through jawboning the lending community and by setting up the "hope proposal" which has put a big chunk of money out there so people are not forced out of their homes as a result of the jump in their mortgage rates. And progress is being made there. Over 370,000 people have been helped. That's the good news. But the problem is so large that that's not necessarily going to be able to stabilize the market and free up the lending machines here in America.

And so additional things should be done. For example, Senator Isakson from Georgia has suggested that we have a one-time, very focused credit given to people, a tax credit given to people who buy one of these homes which is in the inventory within the next year and that the home has been produced during this period of excess production, and allow that to incentivize people to go back in the market and start to get this market going again. And that's what we need to do.

And there are other ideas. The expansion of the FHA is an idea, and I don't quite understand why all FHA reforms weren't seen in the bill that came back to the Senate. The FHA reform bill is in conference, and it's critical we get it done. Increasing the lending practice on Freddie Mac and Fannie Mae...that's a dangerous step unless it's coupled with reforms necessary to make sure Freddie Mac and Fannie Mae have the underlying capital to support an expansion, but it's something that should be considered.

And so there are initiatives that can be focused much more in a targeted way on the problem and would actually do something to correct the problem. And in the long run, and in the short run, from my viewpoint, they would have a much better effect on the economy.

In addition, if we're going to try to stimulate through classic Keynesian activity, well, I'm not too excited about that. But we ought to put it on the productive side of the economy so we actually create a more efficient economy that's more productive and, therefore, capable of producing more jobs as we move out into the future. Our problem may be that we don't have enough jobs as we get out into the future.

The way you get around that is you create an attitude in the marketplace so people are willing to go out there and invest, take risks, be entrepreneurs and create jobs. There are ways to do that other than giving people \$600 to spend arbitrarily, which they may spend on a product not even manufactured in the United States, in which case there has been no stimulus to our economy. If somebody buys a TV made in China with their \$600, that has virtually no stimulative effect on our economy because the dollars end up in China.

It is important that we understand, again, that all this money comes from our children, that we don't have a surplus to fund this stimulus package. And, therefore, when we do stimulate, we need to do it, in my opinion, in a much more focused way which is going to strengthen our economy and is going to address the underlying problem which is the credit lockup, which has been fueled by the housing bubble.

And so I would hope we take that approach. Obviously we're not going to take that approach if there is a majority around here that is going to support a stimulus package which is Keynesian-based. And so be it. If we're going to do it, let's do it in a way that causes the least harm. The way to do that is to get it out the door quickly, and have it be the package which essentially left the House, and not have the Senate throw another \$44 billion which we have to borrow from our children on top of that.

And so those are my concerns, Mr. President. I appreciate the courtesy of the Chair, and I yield the floor.